

This record is a partial extract of the original cable. The full text of the original cable is not available.

C O N F I D E N T I A L SECTION 01 OF 02 ACCRA 001234

SIPDIS

STATE PASS USTR -- PATRICK COLEMAN

E.O. 12958: DECL: 07/09/2009

TAGS: [ETRD](#) [PREL](#) [ECON](#) [GH](#) [WTO](#) [AGOA](#)

SUBJECT: GHANA; RESPONSE TO UPDATE ON AGOA III

REF: A. SECSTATE 120038

[B](#). 2003 ACCRA 2287

[C](#). ACCRA 440

[D](#). ACCRA 771

Classified By: EconChief Chris Landberg for Reasons 1.5 (B and D)

#### Summary

[1](#). (C) Post expects that the economic impact of ending the AGOA third country fabric provision (Ref A) would be limited, given Ghana's (and the region's) minor apparel exports under AGOA. However, the textile and apparel sector in Ghana (and the region) would be devastated, so individual companies and workers would suffer. It would also have a political impact, with the U.S. losing some leverage on bilateral and multilateral trade issues. End Summary.

[2](#). (C) Econ, Commercial, USAID-Ghana and USAID-West Africa Regional Program (WARP) officers consulted internally and with the GoG and private sector to gauge the economic and political impact that failure to extend the AGOA third country fabric provision could have on Ghana and the region. The consensus is that in both Ghana and other countries in the region AGOA is as much a political phenomenon as it is an economic program. Therefore, while there would not be a significant economic impact, there would be negative political repercussions.

#### Economic Impact in Ghana

[3](#). (C) The Trade Ministry argues that failure to extend the third country textile provision would destroy the GoG's efforts to encourage investment in the sector. Existing companies are also worried. An Indian firm in Ghana told USAID that without access to third country fabric it would shut down and lay off 300 workers. This would probably repeat throughout the sector, and the GoG would not welcome such job losses so close to the December election.

[4](#). (C) GoG officials' public comments have led the Ghanaian public to believe that AGOA itself, not the third country textile provisions, will end September 30. Post has clarified this point to the GoG and press. Apparel make up about ten percent of total exports under AGOA/GSP, but the GoG sees it the area with the most possibilities for export growth. Therefore, eliminating opportunities in the sector would create the perception in both government and the general public that the main benefits under AGOA had ceased.

#### Bilateral and Multilateral Impact -- Ghana

[5](#). (C) The GoG has enacted a Presidential Special Initiative (PSI) on textiles and apparel. Post has previously reported on the lack of focus of PSIs and our concerns about the GoG's ability to "pick winners" (Refs B and C). By not extending the third country textile provision, the GoG would be able to blame the U.S. for both the failure of the Textile/Apparel PSI and its inability to deliver on promises of over 100,000 jobs and increased investment.

[6](#). (C) Reducing Ghana's benefits under AGOA would also undermine the USG's efforts to influence the GoG to maintain open-market oriented policies. The GoG is developing a "National Trade Policy," with USAID and other donor help, and GoG officials are facing increasing pressure to protect local industry. For example, the Trade Ministry acquiesced to demands from Ghanaian poultry companies and limited licenses for large scale poultry imports from the U.S. (Ref D). The GoG will be even less disposed to resist protectionist demands and ensure the National Trade Policy has a free market focus if it loses preferential access into the U.S. market.

[7](#). (C) As USTR has highlighted, Ghana was one of the few developing countries to play a positive role during the Cancun meetings. Reducing or even eliminating Ghana's limited gains on increased investment and exports to the U.S. would make the GoG less inclined to cooperate on WTO issues and would leave it more focused on agriculture as the main sector with export growth potential.

#### Regional Impact

-----  
18. (C) USAID-WARP officers note that approximately 75 percent of sub-Saharan African apparel exports under AGOA use third country fabric. There are few viable alternatives: U.S. fabric is 20 to 40 percent more expensive, primary textiles produced in sub-Saharan Africa are generally low quality and produced in insufficient quantities. Even textiles from the predominant African producer, South Africa, are cost prohibitive because of the strong Rand. Without a prolonged phase-out period, apparel firms in West Africa would not have the opportunity to build linkages with other AGOA countries and invest in local textile production to lower dependence on mostly Asian fabric. Again, while Post believes the regional economic impact would be limited because total sales are relatively low, the change would effectively cut regional apparel firms out of the U.S. market. Whatever limited success AGOA has had in West Africa -- mainly in the apparel sector -- will end.

Comment

-----  
19. (C) The U.S. uses AGOA to prove to African governments that we are interested in their economic development. The GoG and other governments in the region have two central areas of interest with regards to trade: apparel and agriculture. Aside from the GoG and other countries' negative reaction to eliminating the third country fabric provision, it would encourage them to focus even more on agricultural issues in bilateral and multilateral discussions.

110. (C) This sector may disappear anyway, with or without AGOA III. The fierce global competition that will ensue following the expiration of the Multi-Fiber Agreement will likely put an end to most of the inefficient, local textile and apparel producers, with the possible exception of turnkey operations (using U.S. cloth). In this case, however, company failures and job losses would not be blamed on a change in U.S. Government policies. End Comment  
Yates